



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Paul Krutko

**SUBJECT: MUSEUM OF ART EXPANSION -
INTERNATIONAL CENTER FOR
ART AND TECHNOLOGY**

DATE: May 19, 2004

Approved

/s/

Date

RECOMMENDATION

Direct staff to negotiate a Management and Operating Agreement with the San Jose Museum of Art Association to create an International Center for Art and Technology (ICAT) in the former Martin Luther King, Jr. Library.

Support for ICAT advances the vision of San Jose as a “Creative Community” and a “Tech-Savvy City.” It implements:

- Strategic Initiative #3: Develop Strategic Partnerships with San Jose State and Other Universities to Drive Innovation and Economic Impact (first-year priority)
- Strategic Initiative #4: Evolve and Position Downtown as a Unique Creative and Cultural Center (first-year priority)
- Strategic Initiative #14: Communicate a Compelling, Consistent Community Identity for San Jose.

BACKGROUND

The Mayor's March 17 Budget Message directed the City Manager, working with the Mayor's Office, to return to City Council with a strategy to help expand the San Jose Museum of Art by using the former main library building.

The Opportunity

The Museum of Art Association, in collaboration with San Jose State University, seeks to expand the Museum's capacity and create a new visitor attraction: the International Center for Art and Technology. This is part of a broader Economic Development Strategy-related effort to develop the Visitor Industry, position San Jose as a Creative Community, and assert San Jose's

global leadership in Art and Technology. A related effort is the ISEA2006/ZeroOne Festival of Art and Technology that will be held in San Jose in August of 2006. The Museum of Art expects to be awarded a \$200,000 grant from a prestigious local foundation to plan the Center, and Museum Trustees have been playing a leadership role.

The former main library is a suitable site for the ICAT due to its open floor plan, column-divisible spaces, and proximity to the Convention Center, Tech Museum, the Museum of Art, and light rail. The building will also house all of the Museum's staff and educational programs. ICAT will feature art that uses technology, is informed by technology, or was developed with technology. The Center also will be a laboratory for using information technology to enhance the visitor and learner experience. It is envisioned also that there could be an opportunity for retail on the first floor, such as "design for living" and digital electronics stores.

Moving Museum of Art administrative and staff offices to the former library will free up space in the current Museum of Art building. The first floor historic wing and basement space could potentially be used for a Downtown restaurant or other retail activities. In the Mayor's Budget Message, the Executive Director of the Redevelopment Agency was directed to assist in developing a plan for the retail development of the current Museum of Art building.

Current City Use of Former MLK Library

Currently, the former MLK library houses 300 City employees and has total staff occupancy of 364. The City invested \$1.7 million in 2003 to prepare the building for City office use; this includes \$600,000 for communications/fiber optic upgrades.

The appraised value of the building is \$9.2 million.

ANALYSIS

Proposed Agreement Parameters/Timeline

Staff recommends the following parameters for the agreement.

- The term of the operating agreement is anticipated to be 10 years from the ICAT opening, with an opportunity for two five-year renewals. At the earliest, renovations are anticipated to start in July of 2006 following fundraising activity by the Museum, with occupancy and opening of ICAT in July of 2007.
- The City's financial support is limited to use of the building.
- The Association will be responsible for financing and constructing all necessary building alterations, mechanical system rehabilitations and tenant improvements, obtain all exhibit

materials, perform or pay for all operating and maintenance needs, pay all insurance costs, as well as provide a capital repair and replacement reserve.

- The City and Association will negotiate an appropriate payment from the Association to reimburse the City for the cost of renovations made in 2003 that can be used and incorporated into the Association's building program.
- The operating agreement would not allow Association use of the facility until the City was satisfied that the Association has secured the resources and financial capability to create and operate the museum facility.
- Renovations made to the former MLK library for the ICAT would be made in a manner consistent with re-using the building as an adjunct to the Convention Center after the museum vacates.
- Revenues generated from an income-producing use of the historic wing/basement space in the current Museum of Art will accrue to the Museum. This income would help defray operations and maintenance expenses on the current Museum of Art building and the new ICAT.
- If the Association would cease as an operating entity or vacate the former MLK library the lease would be null and void and the property would revert to the City.

The anticipated schedule is as follows:

- July 2004-June 2005: Museum of Art launches planning effort for ICAT.
- July 2005-June 2006: Museum of Art fundraises for ICAT
- July 2006-June 2007: Renovation of former MLK for ICAT (City employees vacate)
- July 2007: ICAT Opens

Effect on City Employee Location and Office Costs

Staff recommends that the City plan for staff to remain in the former MLK library until a firm date is identified for museum renovations to proceed (no earlier than July 2006). As previously noted, the staff capacity of the former MLK library is 364 and current occupancy is below capacity (300).

Prior to the start of renovations by the Museum, City staff will be moved to other City-controlled space. The City will incur move costs of approximately \$200,000. In addition, tenant improvements, furniture, and communications upgrades are probable. The relocation of staff from the former MLK library may be accomplished in conjunction with the reuse of the current City Hall and Health Building.

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CONCLUSION

The Art Museum Board and staff leadership are committed to being a key partner with the City of San Jose in developing Downtown as the vibrant Creative Center of Silicon Valley. The Association and ICAT's long-term sustainability and stature depend on a successful Downtown and Visitor Industry. The former MLK library is a strategically located site for a high-traffic visitor attraction. The Museum aims to grow visitor attendance from 200,000 currently to 350,000 by the end of 2007. The establishment of the International Center for Art and Technology as a significant visitor attraction, unique in North America, will double Museum attendance from 350,000 to 700,000, with associated Downtown spending and revenue generation.

/s/

PAUL KRUTKO

Director, Office of Economic Development

